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MEMORANDUM

TO: Peter Hughes,
Natomas Central Mutual Water Company

May 23, 1997

FROM: Marc Van Camp

SUBJECT: Water Transfer — Executive Summary

The purpose of this memorandum is to provide a summary of the main issues and process involved with the proposed water transfer by Natomas Central Mutual Water Company (Natomas) which began May 23, 1995. This memorandum can be shared with other entities to understand the process and with other regulatory agencies that believe there remain unresolved issues and are withholding approval. Specifically, the Department of Water Resources has recently sent letters (dated April 2, 1997) to Mr. Larry Rowe of Mojave Water Agency identifying the necessary data and process to obtain the approval of the Department for wheeling water through the State Water Project facilities. These letters have been written as though the Department has had no opportunity to review material provided by Natomas and as though it has had no process to raise concerns.

In order to provide a thorough summary, it is necessary to discuss the following: process, quantity ("real water"), timing (scheduling), and environmental aspects.

Process

Initially, Natomas pursued a potential transfer of reduced consumptive use water through discussions with the Bureau of Reclamation as it is a Sacramento River Settlement Contractor. Upon the suggestion of the Bureau of Reclamation, Natomas initiated its own efforts to pursue the transfer through the State Water Resources Control Board (SWRCB) petitioning process

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in which the Bureau and all other regulatory agencies would have the opportunity, as vested water right holders, to protest and demonstrate adverse impacts of Natomas' transfer. Attachment 1 is a brief chronological summary of the activities to date relative to Natomas' water transfer.

Natomas received a SWRCB order dated August 8, 1996, which authorizes the transfer of 2,000 acre-feet (AF) of reduced consumptive use water. Substantial data was provided to the Division of Water Rights in order for it to make its determination that a reduction in consumptive use within Natomas has taken place and, therefore, can be transferred. All parties had the opportunity during this process to protest and object to the water transfer.

A main issue to take note of is that Natomas has focused on the reduced consumptive use within its service area as the quantity available for transfer. By analyzing and transferring only the consumptive use quantity, other downstream parties that may have historically obtained Natomas' tailwater cannot argue injury as a result of the transfer. Essentially, those downstream parties receive a benefit from Natomas' efforts if the water is not authorized to be transferred. Natomas has gone to great expense and effort to effect a consumptive use savings within its service area and pursuant to the SWRCB order and the State Water Code should receive benefit for those efforts.

Quantity

As identified above, an in depth analysis has taken place to analyze the quantity of water available for transfer. We analyzed the total inflow to Natomas and the total outflow from Natomas to quantify the consumptive use within the basin. This analysis demonstrated a savings in consumptive use from the pre-1986 period to the post-1986 period. The 1986 date was chosen as this is when Natomas completed its closed system and began significant recycling efforts. Substantial material was

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provided to the Division of Water Rights to support this water savings (letter and analysis dated August 5, 1996). Attachment 2 is a plot of the annual consumptive use from 1975 to 1995 within Natomas. Natomas has reduced diversions in the order of magnitude of 30,000 AF which has resulted in a consumptive use savings of approximately 12,000 AF. Natomas has been attempting to transfer only 2,000 AF as a pilot project to understand the process of such a transfer.

Timing (Scheduling)

As indicated above, we have analyzed the consumptive use savings on an annual basis. The Bureau has requested we analyze and determine the monthly quantities available for transfer during a given year in order to facilitate the monthly exports from the Delta. The Bureau has indicated the analysis should compare 1997 to 1981 as a reference year. Therefore, Attachment 3 is a summary of the 1981 diversions, the proposed 1997 diversions, and the subsequent reduction in diversions. A monthly distribution of consumptive use savings is provided in our July 25, 1996 letter to Ed Anton of the Division of Water Rights responding to the Bureau's previous inquiry on this issue. Therefore, based on this material 2,000 AF is readily available during the month of July or August 1997.

Environmental

Because the petition with the SWRCB was for a temporary one-year transfer, it was exempt from the CEQA process. As indicated on the attached chronological summary, the Bureau raised NEPA compliance issues on June 13, 1995. A draft Environmental Assessment, together with a Finding of No Significant Impact (FONSI), has been submitted to the Bureau for review and processing. It is our opinion this material should adequately satisfy the environmental documentation requirements and identify no significant impact will occur from such a transfer. Certainly, from the consumptive use savings demonstrated by Natomas, no impact has occurred as this savings

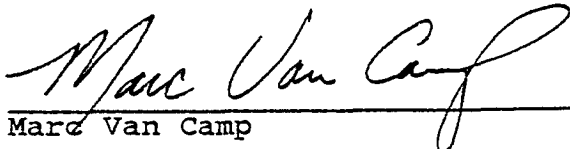
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has taken place since 1986. The next step in the environmental review is the export of this water to a potential buyer such as Mojave. The exporting of this water will occur in compliance with the SWRCB 1995 Water Quality Control Plan which, therefore, indicates no significant impact for the export of this water.

Based on the above information, a transfer of 2,000 AF should occur in July of 1997.


Marc Van Camp

MVC:bl
Attachments
cc: Kevin O'Brien

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